



## City of Seattle Office of Housing

Bridge Loans and  
2009 Housing Levy Acquisition &  
Opportunity Loans

---

### **NOTICE OF FUNDING AVAILABILITY March 27, 2012**

*Short-term Financing  
for Affordable Housing*

**Applications Accepted on a Rolling Basis through 2013**

City of Seattle  
Michael McGinn, Mayor

Office of Housing  
Rick Hooper, Director

## TABLE OF CONTENTS

I.	Overview of Acquisition & Opportunity and Bridge Loans.....	3
II.	Rental Housing and Homebuyer Programs .....	4
III.	Priorities for A&O and Bridge Loan Funding.....	5
IV.	Loan Terms and Conditions .....	7
V.	Application Information.....	7

## APPENDIX

- A. Map of High Capacity Transit Station and High Frequency Transit Service Areas prioritized for Levy Funds
- B. Map of Downtown and Surrounding Urban Centers prioritized for Downtown Bonus Funds

## ATTACHMENTS

- 1. A&O Loan Application
  - A&O Application – Instructions, Narrative Questions and Attachments
  - A&O Project Budgets and Forms
- 2. Bridge Loan Application
  - Combined Funders Application – Instructions, Narrative Questions and Attachments
  - Housing Trust Fund Addendum
  - Office of Housing Addendum
  - Combined Funders Project Budgets and Forms

\*OH reserves the right to periodically make modifications to this offering. The most updated version will be posted at [www.seattle.gov/housing](http://www.seattle.gov/housing).

## **I. Overview of Acquisition & Opportunity and Bridge Loans**

The City of Seattle Office of Housing is announcing the availability of up to \$6.5 million in 2009 Levy Acquisition and Opportunity (A&O) Loan funds and up to \$5 million in Bridge Loan funds to support low-income housing development. The amount available will vary depending on the number of outstanding loans in each program at any given time. For the most current number, see the OH website [A&O and Bridge Loan NOFA announcement](#).

A&O Loan and Bridge Loan funds must support development activity consistent with the City's Rental Housing and Homebuyer Programs. These programs are summarized below in section II. Full details for each program can be found in the 2009 Levy Administrative & Financial (A&F) Plan and the City of Seattle Consolidated Plan for Housing and Community Development, which are available online at: [http://seattle.gov/housing/levy/docs/Levy\\_A+F\\_Plan\\_2012-2013.pdf](http://seattle.gov/housing/levy/docs/Levy_A+F_Plan_2012-2013.pdf) and <http://www.seattle.gov/housing/planning/default.htm>.

### **Purpose of A&O and Bridge Loan Programs**

A&O and Bridge Loans provide short-term financing for the strategic acquisition of sites for the development of low-income housing. Bridge Loans provide bridge financing for projects that can demonstrate a high likelihood of securing permanent financing within two years. A&O Loans go a step further in building the City's low-income housing pipeline with terms up to 5 years in order to allow developers to take advantage of low acquisition prices and/or to secure sites that present a strategic use of funding relating to transit access, preservation, or significant permanent financing leverage.

Because OH will likely be a source of permanent financing for projects funded with Bridge and A&O loans, OH will need to ensure that short-term lending is proportionate to anticipated permanent financing sources. Only projects that demonstrate a compelling use of short-term and long-term resources will be competitive for City funding.

### **Fund Sources for A&O and Bridge Loans**

Sources for Bridge Loans include 1986, 1995, and/or 2002 Levy funds and Bonus funds. A&O Loans may be made with available 2009 Levy funds that are not yet in use by other Levy programs.

### **A&O and Bridge Loans for Homeownership Housing**

Considering the increased availability of affordable homeownership opportunities in the current market, any property acquisition for future affordable homeownership development must present a unique opportunity. To discuss acquisition opportunities for affordable homeownership, please contact Quinnie Tan, Homeownership Programs, at 684-3340 or [quinnie.tan@seattle.gov](mailto:quinnie.tan@seattle.gov).

## **II. Rental Housing and Homebuyer Programs**

To be considered for A&O or Bridge funding, projects must meet the objectives and priorities of the Rental Housing or Homebuyer Programs, which are summarized below.

### **Rental Housing Program Overview**

The primary purpose of the Rental Housing Program is to support the development of affordable rental housing throughout the city. The Rental Housing Program also seeks to advance the following goals:

- Further the countywide efforts to end homelessness by financing housing that serves households who are homeless or at risk of homelessness. Focus populations include homeless families, individuals and youth, including chronically homeless individuals with disabling conditions served by a Housing First approach.
- Advance the development of sustainable, transit-oriented communities that give low-income residents access to transportation, services, and economic opportunity. Levy funds are specifically prioritized for areas near high-capacity transit stations and high frequency transit service. Bonus funds are prioritized for downtown and surrounding urban centers. (See the Appendix for maps of these areas.)
- Support the revitalization of low-income communities, including development of mixed-income housing in areas of the city where higher percentages of low-income residents or housing exist, and preservation of existing housing for low-income residents at risk of displacement.
- Promote sustainability and cost efficiency throughout the design, construction and operations of affordable housing.
- Contribute to the development of housing that serves seniors and people with disabilities with the appropriate levels of operating and service supports.
- Contribute to the development of housing that serves low-wage working families and individuals, providing a mix of unit sizes to accommodate a range of household sizes, and particularly in areas with access to transit.

### **Homebuyer Program Overview**

The Homebuyer Program is intended to provide an ongoing resource to enable low-income first-time homebuyers to purchase a home in Seattle. The following general program objectives guide the Homebuyer Program:

- Assist first-time homebuyers to acquire their home at an affordable cost that will enable them to manage the costs of homeownership and to realize a reasonable share of any increase in home value so they can purchase other housing when family needs change.

- Create an on-going resource to assist future low-income first-time home-buyers through resale restrictions that will maintain an affordable home price and/or loan repayment terms that will generate funds to assist future home purchasers.
- Promote the expansion of programs that achieve long-term affordability through restrictions on resale, which may include land trusts, limited equity co-ops, co-housing, repurchase options held by nonprofit organizations, and lease-purchase arrangements with homes on leased land.
- Combine with other sources of homebuyer assistance funds (Washington State Housing Finance Commission, State Housing Trust Fund, Federal Home Loan Bank, etc.) to leverage the available Levy dollars.
- Use existing service delivery systems for lending activities.
- Promote pre-purchase homebuyer education as a best practice by requiring households using City of Seattle homebuyer assistance to complete a pre-purchase homebuyer education program sponsored by the Washington State Housing Finance Commission, U.S. Department of Housing and Urban Development, or other education program for first-time buyers approved by the Office of Housing.

### **III. Priorities for A&O and Bridge Loan Funding**

In addition to being consistent with the Rental Housing and Homebuyer Programs, projects applying for A&O and Bridge Loan Funding will be subject to the priorities described below.

#### **Low Acquisition Cost**

The A&O Program was created to respond to opportunities for strategic acquisitions during downturns in the real estate market. To be competitive for an A&O loan, a project should demonstrate low acquisition costs. Acquisition prices may be evaluated using a variety of criteria, including but not limited to:

- Recent comparable sales
- Appraised value
- Assessed value
- Comparison to active listings
- Reduction in purchase price from original listing

#### **Strategic Use of Funding**

For both A&O and Bridge Loans, projects must demonstrate that short-term acquisition financing is a strategic use of funding. The following are examples of strategic uses of funding:

- Acquisitions in locations where investments in transit infrastructure have been or will be made in the future (see the Appendix for maps of high priority areas)

- Projects that preserve an existing affordable housing resource that would be lost without acquisition by a new owner
- Projects for which short-term funding is critical to securing significant leveraging of other public and private investment, including investment in housing development, operations, services, or project-related infrastructure investments
- **At minimum, project sponsors must demonstrate that the proposed financing timeframe is critical for securing the site.**

## IV. Project Requirements

To be eligible to apply for A&O or Bridge Loan funding, projects and sponsors must meet the following threshold requirements.

### Project Criteria

The following project criteria apply to rental and homeownership housing proposals:

1. The project must demonstrate a high likelihood of securing permanent financing on acceptable terms within the term of the loan (two years for Bridge Loans, five years for A&O Loans).
2. The project is located on a site with appropriate zoning for the proposed use, or where the sponsor can demonstrate with certainty that broader impending zoning changes will create appropriate zoning within a reasonable timeframe.
3. The project does not face any major challenges that could significantly delay development, e.g., presence of undetermined levels of environmental contaminants, location in a Brownfield site or designated Environmental Critical Area, etc.
4. The projects has a purchase agreement with reasonable terms that meet current Office of Housing requirements, including:
  - Agreements must require the purchase price to be supported by current appraised value.
  - Agreements may not include automatic cost escalators that would cause the purchase price to exceed the current appraised value.
  - Agreements must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA).
  - If agreements include extension fees, borrower must seek OH approval of such fees and demonstrate its necessity

### Sponsor Criteria

A&O and Bridge Loans are limited to sponsors with strong capacity to secure permanent financing and successfully develop low-income housing. In the case of rental housing, sponsors

must also be able to operate the housing for at least 50 years under a regulatory agreement. Criteria for evaluating sponsor capacity include:

1. Project sponsors must have successfully developed and operated at least three affordable housing projects.
2. Project sponsors must be in good standing on any OH loans, as determined by the OH Asset Management division. In general for rental housing sponsors, this means:
  - Borrower has submitted up-to-date Capital Needs Assessments (CNAs) for each of its OH-funded properties.
  - Borrower has met annual reserve deposit and minimum balance requirements in all OH-funded properties.
  - Borrower is in compliance with OH regulatory and reporting requirements in all OH-funded properties.
  - All of Borrower's OH-funded properties have passed physical inspections, or Borrower has responded to all inspection notices by correcting cited deficiencies in a timely manner according to instruction provided by OH. *Note: OH may approve a time extension under certain circumstances (e.g., major replacement, weather-dependent repairs, etc.), provided that Borrower has submitted a plan acceptable to OH prior to application. Deferring work to future years in the Capital Needs Assessment or making repairs contingent on OH funding will not be deemed an acceptable plan.*
3. Project sponsor must demonstrate the capacity to secure permanent financing for the proposed project within the term of the loan, the development capacity to execute the proposed project on time and within budget, and in the case of rental housing sponsors, the operational capacity to sustain housing operations for 50 years. The following elements will be evaluated:
  - OH will evaluate the applicant's development pipeline. Proposals from applicants that have a prior project funded by OH that has not closed and begun construction are generally discouraged. This criteria applies to applicants with outstanding OH bridge loans.
  - OH will evaluate the applicant's recent development track record, including whether projects were completed within the planned timeframe and budget.
  - OH will evaluate performance in the applicant's current OH portfolio, if any. For rental housing, the overall occupancy rate should be at least 95% for the prior year as calculated in the Web-Based Annual Reporting System (WBARS).
  - Applicants must submit organizational financial audits that demonstrate the financial soundness of the applicant and its subsidiaries. Audits must reflect an unqualified opinion with no findings or material weaknesses that would be cause for concern about the financial operations of the sponsor.

## **V. Loan Terms and Conditions**

A&O and Bridge Loans must be used for site acquisition, which includes the acquisition of improved and/or unimproved property. These loans shall be repaid with permanent project financing, which may be from either City or non-City funding sources.

The following loan terms and conditions apply:

- The interest rate on A&O and Bridge Loans shall be no less than 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- The maximum term of a Bridge Loan shall be 2 years.
- The maximum term of an A&O Loan shall be 5 years.
- For A&O Loans, OH may impose an 80% loan-to-value limitation. OH encourages the use of our partner funding agency Impact Capital for partial or full financing.
- An OH regulatory agreement must be placed in first lien position at the time of loan closing. For rental housing projects, the regulatory term will be a minimum of 50 years.

## **VI. Application Information**

### **Pre-Application Meeting**

Prospective applicants must schedule a pre-application meeting with the Office of Housing prior to application. In the meeting, the sponsor should demonstrate how the proposed project meets the City's goals for short-term lending and provide details regarding the long-term plans for the site. OH will provide feedback regarding the proposed project's alignment with the City's available funding and program policies.

- For rental applications, please contact Laurie Olson, Lending Manager, at 206-615-0995 or [laurie.olson@seattle.gov](mailto:laurie.olson@seattle.gov).
- For homeownership applications, please contact Quinnie Tan, Homeownership Programs, at 206-684-0346 or [quinnie.tan@seattle.gov](mailto:quinnie.tan@seattle.gov).

### **Application Timeline**

Applications will be accepted on a rolling basis. Sponsors should consult with OH to determine whether their projects are best aligned with the Bridge or A&O Program before making an application. While OH will respond as quickly as possible to project proposals, applicants should allow for a reasonable review time generally not less than two months and proportionate to project complexity.

### **Bridge Loan Application**

Bridge Loan applications should be similar to standard permanent OH loan applications. The Combined Funders Application and Housing Trust Fund and Office of Housing Addenda will be required for Bridge Loan applications (even if not applying to the Housing Trust Fund). See Attachment 2 for the required narrative questions, forms and attachments.



## **A&O Loan Application**

Application forms for A&O Loans have been streamlined from the OH permanent financing requirements to reflect that projects will be applying earlier in the development process. See Attachment 1 for the required narrative questions, forms and attachments. OH reserves the right to require additional application information if necessary to determine the long-term benefits of the proposed acquisition.

## **Completeness and Assembly**

Applications must contain all required components and be assembled in a 3-ring binder according to application instructions. OH has recycled 3-ring binders and tabs available upon request. Incomplete applications will be returned to applicants without further review.

## **Submission Format**

All applicants must submit the following to OH:

- One original hard copy of the entire application, tabbed and in a 3-ring binder, with all attachments
- A CD that includes one complete electronic application that meets the following:
  - CD is clearly labeled with the applicant and project name.
  - Each Tab should be placed its own folder. Each folder shall include an electronic version of all narrative responses and attachments for that Tab.
  - The Project Workbook with required forms from all tabs may be saved as one file outside of the folders that represent each tab. Linked sheets must be unlocked and formulas must be visible.
  - The Project Workbook must be in Excel format. Narrative responses must be in Word format. Attachments must be in pdf format.

## **Where to Submit Applications**

Applications must be submitted to:

### **(Rental)**

Laurie Olson, Lending Manager  
Office of Housing  
City of Seattle, Seattle Municipal Tower  
PO Box 94725  
Seattle, Washington 98124-4725

### **(Homeownership)**

Quinnie Tan, Homeownership Programs  
Office of Housing  
City of Seattle, Seattle Municipal Tower  
PO Box 94725  
Seattle, Washington 98124-4725

## **Disclosure of Documents**

All proposals and related materials become the property of the City upon delivery to OH. State law, RCW Ch. 42.17, provides that public records are subject to public inspection and copying unless specifically exempted. RCW Ch. 42.17 enumerates limited exemptions a public agency's obligation to disclose public records. If the applicant believes that portions of its proposal are exempt from disclosure to third parties, the applicant must clearly label the specific portions sought to be kept confidential and specify an exemption that the applicant is relying on.

However, acceptance of an application containing such designations by OH is not an agreement that such material is legally confidential, and OH cannot guarantee that such information will not be disclosed. Marking all or substantially all of an application as confidential may result in the application being rejected.

The applicant recognizes and agrees that the City will not be responsible or liable in any way for any losses that the applicant may suffer from the disclosure of information or materials to third parties, nor for any use of information or materials by third parties. Materials submitted by unsuccessful applicants are subject to disposal unless picked up promptly by the applicant, except that OH will maintain one copy in compliance with public record laws.

### **Interpreter Services**

Interpreter services for the deaf and materials in alternative formats are available upon advance request. TTY users please call Washington State Relay Service at 1-800-833-6388 and ask them to connect you with the Office of Housing at 684-0721.

### **Questions**

If you have any questions about application requirements, please contact:

- Laurie Olson, Lending Manager, 615-0995, [laurie.olson@seattle.gov](mailto:laurie.olson@seattle.gov)
- Quinnie Tan, Homeownership Programs, 684-0346, [quinnie.tan@seattle.gov](mailto:quinnie.tan@seattle.gov).